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# EU Assistance to Central Asia: Back to the Drawing Board?

Jos Boonstra

Jacqueline Hale

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## Introduction<sup>1</sup>

European Union (EU) assistance in general and to Central Asia in particular is a complicated, many sided and fairly opaque business. In 2007, a few months prior to the Council's approval of an EU Strategy for Central Asia under the German Presidency,<sup>2</sup> the Commission also presented two documents: an overarching Regional Strategy Paper for assistance to Central Asia over the period 2007–13 (RSP)<sup>3</sup> and a more detailed and programme-orientated Central Asia Indicative Programme (IP), from 2007 until 2010.<sup>4</sup> Over a seven-year period, 719 million Euros were to be set aside for assistance to the region through the new EU Development Cooperation Instrument (DCI). In addition, the EU has allocated more modest funds through global thematic instruments. Meanwhile, the European Bank for Reconstruction and Development (EBRD) and more recently the European Investment Bank (EIB) are stepping up activity in Central Asia and several member states have their own assistance programmes (foremost Germany) that are likely to match the DCI amount.

In February 2009, the Commission started reviewing the RSP and drafting a new IP for the period 2011–2013. The review is being undertaken over the course of 2009 on the basis of extensive consultations in Brussels, involving the member states and the relevant Commission services, and governments and civil society in the region. The mid-term review (MTR) is a labour intensive and timely process, but it offers the opportunity to strengthen EU assistance efforts against a background of developing EU-Central Asia relations and significant external developments affecting the region.

Not least of these developments, which might be reflected in the revised assistance documents, are those owing to the implementation of the Council's EU Strategy for Central Asia. First, the increased number of high-level visits since the inception of the strategy should have prepared the ground for a more practical and 'hands on' approach over the coming years. Second, the EU will be in

a better position to implement its assistance programmes due to its planned increased presence in Kyrgyzstan and Tajikistan, where the Commission will upgrade its technical assistance offices into fully-fledged delegations. The presence of EU officials and experts on the ground is crucial to assess local proposals and projects and to work closely with other donors. Third, EU efforts to normalise relations with Turkmenistan through a Memorandum of Understanding (MoU) signed on energy and the ratification of an interim trade agreement with Ashgabat are part of a growing engagement in that country that should be reflected in assistance. With the perspective of Turkmen gas imports moving closer – even if according to some accounts not yet a realistically viable prospect<sup>5</sup> – technical assistance, particularly with regard to revenue transparency and management, would connect well with the political effort.

In addition, a series of important developments in the international and regional contexts over the last two and a half years are likely to affect the EU-Central Asia relationship at the level of programming assistance. Most visibly, the Georgia-Russia war of August 2008, as well as the standoff between Russia and Ukraine over energy supplies, brings the question of energy relations to the fore. Here the EU will work to connect its programming for Central Asia to that of the European Neighbourhood Policy (ENP) and the new Eastern Partnership (EaP), but also to other initiatives such as the Black Sea Synergy. Second, the global financial and economic crisis has hit Central Asia hard, especially Kyrgyzstan and Tajikistan, which saw a decline in revenues due to decreased opportunities for labour migrants working abroad. Third, sharpening intra-regional tensions due to scarce water resources present challenges for EU policy and programming assistance: Kyrgyz and Tajik water resources – used by these countries as the main energy source, and by Kazakhstan, Turkmenistan and Uzbekistan for irrigation purposes – have increasingly become a source of tension given the lack of capacity to generate energy and obsolete irrigation techniques, respectively. Last but by no means least, risks of instability in Central Asia are on the rise as a result of the war in Afghanistan. The importance of Afghanistan will increase over the coming years as will the further development of border control through the BOMCA programme and anti-drug trafficking through CADAP in Central Asia.

This EUCAM working paper aims to shed light on EU assistance to Central Asia as it seeks to confront these challenges. The first section draws an overall picture

1 The authors would like to thank Michael Emerson, EUCAM co-chair, and Aigerim Duimagambetova, EUCAM coordinator at CEPS, Brussels, for their advice and input into this working paper. Some of the information and views included in this document stem from interviews with EU Commission officials in Brussels and in Central Asia, February–December, 2009.

2 The EU and Central Asia: Strategy for a New Partnership, June 2007, available at [http://www.consilium.europa.eu/uedocs/cms\\_data/librairie/PDF/EU\\_CtrAsia\\_EN-RU.pdf](http://www.consilium.europa.eu/uedocs/cms_data/librairie/PDF/EU_CtrAsia_EN-RU.pdf)

3 European Community Regional Strategy Paper for assistance to Central Asia for the period 2007–13, available at [http://ec.europa.eu/external\\_relations/central\\_asia/rsp/07\\_13\\_en.pdf](http://ec.europa.eu/external_relations/central_asia/rsp/07_13_en.pdf)

4 Central Asia Indicative Programme 2007–10, available at [http://ec.europa.eu/external\\_relations/central\\_asia/rsp/nip\\_07\\_10\\_en.pdf](http://ec.europa.eu/external_relations/central_asia/rsp/nip_07_10_en.pdf)

5 See reports by Global Witness, "All that Gas", November 2009; and Quaker Council on European Relations, "The Nabucco Gas Pipeline, A chance for the EU to push for change in Turkmenistan", November 2009.

of EU assistance through mapping Commission and member states' funding to the region. The second section thematically and geographically examines EU assistance priorities (primarily through the DCI), addressing the question of bilateral versus regional programming. The third section focuses critically on the Indicative Programme MTR process, through which the EU seeks to recalibrate its approach to the region. Finally, we focus on four key aspects of EU assistance: the use of budget support to Kyrgyzstan and Tajikistan; monitoring of projects; assistance to civil society organisations; and oversight of funding through the European Parliament. In short, we address the 'what', 'where' and 'how' of EU assistance to the Central Asian republics. The 'why' question is beyond the scope of this paper, but stands central in many other EUCAM publications. The paper concludes with recommendations that apply to EU assistance over the medium and long terms.

### *An overview of EU assistance*

In basic terms, EU assistance to Central Asia is shaped by the Commission documents drafted by the Directorate General for External Relations (RELEX), and is implemented through the EuropeAid Cooperation Office (AIDCO), the EU Delegation in Kazakhstan and EU offices in Kyrgyzstan and Tajikistan.<sup>6</sup> Until 2006, the bulk of EU assistance for Central Asia was delivered through the Technical Assistance Programme to the Commonwealth of Independent States (TACIS). In 2007, TACIS was replaced by the Development Cooperation Instrument, with a view to establishing a closer connection

with the Millennium Development Goals (MDGs) and as part of a broader overhaul of EU assistance instruments. Accordingly, emphasis shifted slightly from the TACIS approach of assisting the former Soviet republics to become full-fledged market economies and democracies – in line with the Copenhagen criteria for EU applicants – to a DCI approach towards poverty reduction and sustainable development, while not ignoring democracy, good governance, rule of law and human rights. Previously agreed TACIS projects have been running since 2007 in parallel with DCI assistance, although most TACIS work has been concluded by now.

### *The instruments*

The DCI can be divided into thematic and regional programmes. In the case of Central Asia, relevant thematic programmes include the Food Security Programme (Kyrgyzstan and Tajikistan) and the Non-State Actor / Local Authorities Programme. Regional programmes are in several cases specifically geared towards Central Asia, for example the business programme Central Asia Invest; the energy programmes INOGATE and TRACECA; the broader education programme TEMPUS; and the security-oriented programmes of BOMCA (border control) and CADAP (to combat drug trafficking).

The DCI instrument is one of six EU global financing instruments, of which two others also apply to Central Asia: the European Instrument for Democracy and Human Rights (EIDHR) and the Instrument for Stability (IfS). Meanwhile, where relevant, the DCI tries to link up with another financial instrument, the European Neighbourhood Policy Instrument (ENPI), which relates to Mediterranean, Middle East, East European and South Caucasus countries.

The EIDHR, the EU's specific tool for supporting democracy, protecting human rights and funding civil society directly, is principally active in Kazakhstan, Kyrgyzstan and Tajikistan through a European presence on the ground. EIDHR projects managed by the local offices have included those under the country-based support schemes as well as region-wide thematic projects, such as a two-year regional project on combating torture.<sup>7</sup> Specifically, the 2009 EIDHR Annual Action Programme (AAP) provides funding to civil society. In 2009, Kazakhstan and Tajikistan received 600.000 Euros each, while 900.000 Euros were allocated to Tajikistan in 2008. The latter did not receive funding in 2009, but another 900.000 Euros are envisaged for 2010. Projects in Turkmenistan and Uzbekistan are either non-existent or very limited in size and scope,

**J**acqueline Hale has been working as an Open Society Institute policy officer in Brussels since 2006. In her current capacity, she covers Central Asia, the Caucasus, energy and women's issues. Hale is a graduate of the University of Cambridge, where she studied languages, and holds an MA in International Relations from the University of Sussex. Prior to working at OSI, she worked at the European Parliament.

**J**os Boonstra is senior researcher at FRIDE, a European think tank based in Madrid. He also serves as co-chair of the EUCAM Expert Working Group. Before 2007, Boonstra worked as a programme manager and head of research at the Centre for European Security Studies (CESS) in the Netherlands. He holds two MA degrees from the University of Groningen, in Contemporary History (1997) and International Relations (2000).

<sup>6</sup> For assistance to Turkmenistan and Uzbekistan AIDCO in Brussels acts as the 'delegation'.

<sup>7</sup> Project implemented by Freedom House and partners, see [http://www.freedomhouse.hu/index.php?option=com\\_content&view=article&id=233:torture-in-central-asia&catid=37&Itemid=125](http://www.freedomhouse.hu/index.php?option=com_content&view=article&id=233:torture-in-central-asia&catid=37&Itemid=125)

and would need to be coordinated through AIDCO and RELEX. The 2009 AAP also provides specific funding for civil society seminars in all five Central Asian republics as part of a 1.5 million euro package for such seminars worldwide. The regional rule of law initiative, one of three flagship initiatives under the political Strategy for Central Asia, was allocated 600.000 Euros in 2009.

The structure of the EIDHR makes it difficult to quantify its assistance to Central Asia in any given year.<sup>8</sup> Its annual global budget is around 120 million Euros, excluding financing of election observation missions. Fixed figures for individual countries are not available, since funds are allocated to five priorities, of which three are global. For instance, civil society seminars, as well as support to human rights dialogue between the EU and its Central Asian partners, are financed under priority 3 (support to EU guidelines).<sup>9</sup> The two priorities that do allocate funds to regions regard Central Asia as part of EIDHR work in Asia as a whole, not as a separate region. However, the website of the EU Delegation to Kazakhstan does offer some indication on amounts for all ongoing EIDHR projects that, if tallied, give the following figures:<sup>10</sup>

EIDHR ongoing projects 2005-2011 (as of 5 March 2009)	Number of Projects	Amount in Euros
Regional	3	1,020,686
Kazakhstan	16	1,743,552
Kyrgyzstan	16	2,895,763
Tajikistan	19	3,481,018
<b>TOTAL</b>	<b>54</b>	<b>9,141,019</b>

The Instrument for Stability is less actively used in Central Asia. Most noteworthy is the fact that BOMCA and CADAP are not financed through the IfS, but through DCI.<sup>11</sup> There is a question as to whether it would make sense to place these well-received and successful programmes in the sphere of security and stability in general and security sector reform in particular under the IfS umbrella, given that it is designed to be a flexible and responsive to short-

term crises on the one hand, whilst working on long-term trans-regional security challenges, on the other. In the IfS Indicative Programme 2009–11 only one project area takes up Central Asia; ‘fighting organised crime on the heroin route: Phase II the Black Sea Basin and the Western Balkans’.<sup>12</sup> Over three years the IfS planned to spend 5–8 million Euros on this programme, of which only a small part will reach Central Asian countries’ security sectors. However, another substantive project is being implemented in Kyrgyzstan in relation to improving transparency in the decision-making process and support to judicial and constitutional reform.<sup>13</sup>

### *The banks*

Besides the Commission's financial instruments, Europe's financial institutions also deliver assistance through substantial projects in Central Asia. The European Bank for Reconstruction and Development has been active in the Central Asian republics since their independence in 1991. In Kazakhstan, the EBRD is the largest investor outside of the energy sector, supporting the financial sector, businesses and infrastructure projects.<sup>14</sup> In 2008, EBRD activities in the country totalled approximately thrice the value of the Bank's projects in the other four countries and Mongolia combined. In recent years, EBRD policy has restricted lending to Uzbekistan and Turkmenistan due to human rights and governance concerns.<sup>15</sup>

Central Asia (million Euros)			
Country	2007	2008	Cumulative 1991-2008
Kazakhstan	532	434	2,090
Kyrgyz Republic	12	12	165
Mongolia	34	51	102
Tajikistan	26	35	96
Turkmenistan	3	10	123
Uzbekistan	15	33	545
<b>Total</b>	<b>621</b>	<b>575</b>	<b>3,119</b>

<sup>8</sup> The EIDHR includes thematic action fiches applicable globally (for example, support to the implementation of EU guidelines, action against torture, etc.), in addition to country-based support schemes.

<sup>9</sup> EIDHR Strategy Paper 2007–2010; and Annex 1, EIDHR financial allocations 2007–2010, available at <http://www.eu-ngo.dk/CALLS/EIDHR%20Strategy%2007-10.pdf>,

<sup>10</sup> Information retrieved from the website of the EU Commission Delegation to Kazakhstan, [http://delkaz.ec.europa.eu/joomla/index.php?option=com\\_content&task=view&id=61&Itemid=39](http://delkaz.ec.europa.eu/joomla/index.php?option=com_content&task=view&id=61&Itemid=39)

<sup>11</sup> Although in a press release of April 2009 the Commission indicated that work on fighting WMD proliferation and anti-trafficking could be consolidated in the former Soviet Union under the Instrument for Stability, see <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/164>

<sup>12</sup> The Instrument for Stability – Multi-annual Indicative Programme 2009–2011, available at [http://ec.europa.eu/external\\_relations/ifs/docs/mip\\_2009\\_2011\\_en.pdf](http://ec.europa.eu/external_relations/ifs/docs/mip_2009_2011_en.pdf)

<sup>13</sup> Information retrieved from interviews with European Commission officials, and [http://delkaz.ec.europa.eu/joomla/index.php?option=com\\_content&task=view&id=324&Itemid=125](http://delkaz.ec.europa.eu/joomla/index.php?option=com_content&task=view&id=324&Itemid=125)

<sup>14</sup> The EBRD and Kazakhstan, see <http://www.ebrd.com/country/country/kaza/index.htm>

<sup>15</sup> EBRD Annual Report 2008, p. 3, see <http://www.ebrd.com/pubs/general/ar08ea.pdf> and <http://www.ebrd.com/about/strategy/country/uzbe/index.htm>; <http://www.ebrd.com/about/strategy/country/turk/index.htm>



The European Investment Bank (EIB) is a new player in Central Asia. In 2006, the Bank signed a MoU with the EBRD and the Commission in order to strengthen cooperation towards Russia and ENP countries, but also with a view to extending EIB activities to Central Asia. In November 2008, the European Council agreed to an EIB ceiling of 1 billion Euros for Asia as a whole over the period 2007–13; for Central Asia, the focus would be on energy supply and transport projects.<sup>16</sup> Currently, the EIB is assessing what investments to undertake in the region. Energy with a focus on water resources is a likely sector for EBRD-EIB cooperation over the coming years.

### *The member states*

Member states also contribute individually, mainly through programmes and projects. The priorities correspond to the seven main ones established in the political EU Strategy for Central Asia. Amounts and project details are not available.

Priorities/Country	KAZ	KYR	TAJ	TUR	UZB	Regional
Human rights and democracy	BG, SK, SE, IE, other*	NL, FI, SE, AT, IE, DE, FR	NL, SE, AT,	UK	FR, DE	DE, FR, NL, UK, IE, SE,
Education	DE, LU, UK other**	DE, FR, AT, IT, CY, LV	DE, other**	RO, UK, FR, DE	DE, UK, NL, other**	DE, FI, AT, IT
Economic Development	DE, SK, IT	DE, LV, SE	DE, SE,		DE, LU, LV, AT	DE, LV, UK
Energy and transport	DE, FR, UK	DE, CZ	DE, FR		DE	UK
Environment and water	FR, SK	SE, SK, CZ	AT		FR, UK, CZ	DE, FI
Common threats	FE, DE, CZ, PL	FR, LV	UK, FI, DE, IT, IE, LV	NL	DE, FR	FI, IT, UK, NL, DE, CZ, LV

\*Preparing Kazakhstan for the OSCE Chairmanship: Belgium, France, Germany, Netherlands, and Portugal.

\*\* Scholarships by most of the following: Austria, Cyprus, Czech Republic, France, Germany, Italy, Lithuania, Romania, UK.

Germany is by far the most influential and substantial European donor in the region. With embassies in all five countries and additional offices of the German Technical Cooperation (GTZ), the German Development Service (DED) and the German Development Bank (KfW) in most Central Asian countries, Germany employs more staff in the region than the EU. German assistance amounts to around 60 million Euros a year.<sup>17</sup> If Germany were to continue this trend, it would spend up to half of the funds that the Commission made available through the DCI from 2007 to 2013 (719 million Euros). Close cooperation between the German institutions in the region and the

EU presence in Kazakhstan, Kyrgyzstan and Tajikistan is therefore a must if Europe and its member states want to be seen as a coherent block that offers targeted assistance.

Sweden through SIDA and the United Kingdom with DFID have also been active through several programmes in Kyrgyzstan and Tajikistan. Unfortunately, DFID appears to be scaling down its activities, while Sweden decided to close SIDA offices in both countries and stop funding new projects. Both donors are likely to play a more active role through EU mechanisms. Meanwhile Switzerland as a non-EU member has taken a keen interest in Central Asia, with an annual amount of around 25 million Euros. The Swiss are focussing on Kyrgyzstan and Tajikistan, and to a lesser extent on Uzbekistan, in the fields of poverty reduction, sustainable economic growth (including water management issues) and the private sector.

The three applicable EU Commission instruments, the two European financial institutions and member states' programmes are the main sources of European assistance to Central Asia. These levers of EU assistance are often not working in harmony and a stocktaking exercise, as we have attempted here, should be a first step in any long-term revision of the EU's strategy towards the region. Some recent innovations, such as the Central Asia Invest fund (similar to the Neighbourhood Investment Facility in leveraging bank funding from the EU and member states), are indicative of a move away from stand-alone projects, and have the potential to leverage more flexible, better coordinated and larger EU funds to Central Asia over time.<sup>18</sup> However, it is clear that in the medium to long

<sup>16</sup> European Investment Bank, 'Russia, Eastern Neighbourhood and Central Asia', available at <http://www.eib.org/projects/regions/russia/index.htm>

<sup>17</sup> Central Asia Indicative Programme 2007–2010, p. 38, available at [http://ec.europa.eu/external\\_relations/central\\_asia/rsp/nip\\_07\\_10\\_en.pdf](http://ec.europa.eu/external_relations/central_asia/rsp/nip_07_10_en.pdf)

<sup>18</sup> According to sources interviewed by the authors, this programme will have 10 million Euros over 2009–10, but it is expected that under the next IP much more funding will be leveraged through EIB, EBRD and member states' banks.

terms the presently disparate EU agents of change will need to improve coordination and pool their resources to be able to take the next step in coordinated funding and programming: namely, cooperation with the other substantial donors in Central Asia – USAID, Japan, the United Nations Development Programme (UNDP), the Asian Development Bank (ADB) and the World Bank.

### *Where do priorities lie?*

The focus of this section lies on the thematic and geographic priorities of EU assistance pursued under the DCI as the main source of Commission-managed funding for the region. The Regional Strategy Paper currently divides the available assistance into three priority objectives: promotion of Central Asian regional cooperation and good neighbourly relations (approximately 30–5 percent of the total assistance until now); poverty reduction and improving living standards (40–5 percent of); and support for good governance and economic reform (20–5 percent) – totalling an amount of 719 million Euros over seven years. The current Indicative Programme, in force until 2010, divides 314 million Euros between the regional priority and the two bilateral ones as follows:<sup>19</sup>

Regional Cooperation: 30 % of total resources (2007–10)	
Focal sectors	Indicative budget (Euros)
<ul style="list-style-type: none"> <li>• Education</li> <li>• Energy</li> <li>• Transport</li> <li>• Environment</li> <li>• Border management</li> </ul>	25 million (8%) 22 million (7%) 15 million (5%) 16.2 million (5%) 16 million (5%)
<b>Total Regional Central Asia</b>	<b>94.2 million (30%)</b>

Bilateral cooperation: 70% of total resources (2007–10)		
National programmes	Indicative budget (Euros)	Of which:
<ul style="list-style-type: none"> <li>• Kazakhstan</li> <li>• Kyrgyzstan</li> <li>• Tajikistan</li> <li>• Turkmenistan</li> <li>• Uzbekistan</li> </ul>	44 million 55 million 66 million 22 million 32.8 million	20% 25% 30% 10% 15%
<b>Total Bilateral Central Asia</b>	<b>219.8 million</b>	<b>70%</b>

In reality, RSP policy objectives will be valid until 2013, since the IP review deals with the realignment of the thematic focal sectors for the 2011–2013 period. They reflect an attempt to straddle the perceived need for regional as well as bilateral approaches to the region. The first priority, which is regionally oriented, will be maintained although it has become more apparent that there is a further need to work on a bilateral basis. Commission officials do hope in time to produce five individual

<sup>19</sup> Central Asia Indicative Programme 2007–2010, pp. 4-5, op. cit.

Indicative Programmes based on the overarching RSP;<sup>20</sup> either regional priorities and programmes would then be highlighted in each of these IPs to the extent that they apply to the country, or else a specific ‘regional IP’ would need to be drafted. This shift to a predominantly bilateral approach makes sense in the context of the Central Asian countries. Not only do Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan differ substantially in many aspects (culture, population, resources), they also have varying levels of interest in working with the EU and face different challenges, ranging from tackling extreme poverty in Tajikistan to managing equitable economic development in Kazakhstan. Importantly, it is unclear the extent to which these countries wish to cooperate on a regional basis, and in practice the depth and willingness to participate in regional programmes varies by sector. The states are more or less participating in integrated border management (through the BOMCA programme). There is some potential in the field of education (Kazakhstan and Kyrgyzstan already participate in the Bologna process). Regional initiatives on other sectors are difficult, in particular on water management, a field in which the states distrust each other, but also on rule of law, where it may be difficult to attract enthusiasm on the part of the beneficiaries.

Nevertheless, the political EU Strategy on Central Asia boldly announced that the European Union would undertake three specific regional initiatives that are also meant to link this joint Council-Commission ‘political’ document to the ‘technical assistance’ driven documents of the Commission. The Education Initiative, the Rule of Law Initiative and the Environment/Water Initiative<sup>21</sup> have all been launched, but have so far lacked visibility. Except for brief 2-page prospectuses and the initial position papers (which are closed documents) there seem to be no detailed explanatory papers. In this sense, it is unclear if they go beyond a coordinating role and if so, if this is funded with pledged Commission resources.

The other two ‘bilateral’ priorities have a clear logic. Poverty reduction should indeed be a main priority in EU assistance to Central Asia, foremost in Kyrgyzstan and Tajikistan where poverty and bad governance could lead to instability or state failure. The third priority is a somewhat artificial link between good governance and economic reform. The EU has chosen to combine these two topics to ensure that good governance (including democracy and human rights) stays on the agenda in talks and

<sup>20</sup> The current Indicative Programme (2007–10) includes an annex that briefly sets out the main priority sectors of assistance for each of the five countries.

<sup>21</sup> For explanatory overviews of the three EU Initiatives, see the website of the Commission on Central Asia, [http://ec.europa.eu/external\\_relations/central\\_asia/index\\_en.htm](http://ec.europa.eu/external_relations/central_asia/index_en.htm)



projects with the authoritarian partners. Good governance is indeed a key aspect in fostering stronger economic links between Central Asia and Europe, in the energy sphere and elsewhere. These two overarching priorities are also further outlined in bilaterally agreed priority papers on a country-by-country basis: these short documents have until now been closed to the public because they also outline what each EU member state does in terms of projects and funding. Some member states are reluctant to share this information, which could lead to unfavourable comparisons. Currently, the five priority papers are also under revision and are being renegotiated between the EU and the Central Asian leaderships. It is unclear the extent to which these priority papers are linked to the Commission public assistance documents and the logic of the three policy objectives. It would be worth elaborating these on paper (and ideally publicly) so policy-makers and practitioners can better identify the synergies between the various assistance frameworks. This would be a useful step towards streamlining assistance policies in the region.

### *Reviewing assistance to Central Asia 2011–2013*

Although the details of the implementation of the new Indicative Programme itself will not be formally elaborated until 2010, the Commission's description of the priorities largely corresponds to a continuity of past programming. The main focus of EU assistance to Central Asia will therefore be on technical projects in Kazakhstan, Uzbekistan and Turkmenistan, and budget support in Kyrgyzstan and Tajikistan. This is partly due to an underlying analysis by the Commission bureaucracy that the priorities elaborated for 2007–10 are still applicable. Furthermore, the Annual Action Programmes – basic operational documents developed annually per financing action by AIDCO and identifying specific projects to be funded according to the IP as well as their specific budgetary allocations – are only now starting to be implemented. This delay has been due to a time lag in the phase-out and completion of TACIS projects. So far, there has been little evaluation of such programming.

Overall assistance amounts are set to increase for the 2011–2013 period; Tajikistan is the top beneficiary, followed by Kyrgyzstan, Uzbekistan and finally Turkmenistan and Kazakhstan. The Commission proposes to concentrate on three thematic priority areas per country, as well as three overarching priorities for the region: energy, water and

economic networks; education; and border management plus the fight against drug trafficking. For example, in the case of energy, water and economic networks the Commission envisages a more integrated approach that will give impetus to local small and medium size enterprises and local governments by stimulating decentralised actions at the local level. The proposed bilateral assistance priorities focus on areas such as strengthening the judiciary and rule of law (Kazakhstan, Kyrgyzstan and Uzbekistan); public administrative reform (Kazakhstan); social protection (Kyrgyzstan and Tajikistan); education and/or human capacity development (Kyrgyzstan, Turkmenistan); health (Tajikistan); rural development (Kazakhstan, Uzbekistan and Turkmenistan); and private sector or trade development (Tajikistan and Uzbekistan).

**DCI Mid-term Review: bilateral priorities 2011–2013**

Kazakhstan	Administrative capacity-building	Rule of law and judiciary	Regional development and local governance
Kyrgyzstan	Education reform	Social protection	Judicial reform and fight against corruption
Tajikistan	Social protection	Health	Private sector Development
Turkmenistan	Rural development and socio-economic reforms	Long-term sustainable energy development	Support to the improvement of human capital
Uzbekistan	Raising living standards through rural and local development	Support to rule of law reform	Assistance in enhancing trade, business and SME development

Currently, assistance is thinly spread over a wide landscape of priorities and there is no direct match with the EU Strategy for Central Asia. So, what should the focus be? As mentioned above, the Commission prefers to retain the flexibility of a regional and bilateral mix of priorities in order to address overarching needs and concerns alongside more tailored bilateral programming. In the field of education – which is also a political strategy priority and a regional priority through the EU Education Initiative – the proposed assistance ranges from extensive support to education reforms in Kyrgyzstan, to a limited notion of 'human capital development' involving the training of officials in Turkmenistan. Many observers, as well as several EU officials and civil society representatives, believe that the EU's most valued card in assistance and relationship building lies in the field of education. There is certainly a humanitarian and strategic need given the collapsing social infrastructure in Central Asia and poor investment in the national education systems, which have to varying degrees disintegrated since the end of the Soviet Union. It is here that the EU stands to make an impact through higher education programmes such as TEMPUS and Erasmus Mundus, but also through vocational training for experts and officials. Thereby, the European Union could differentiate its engagement from several other 'players'

in the region, especially China and Russia. The EU might expand its regional Initiative for Education that currently comprises already existing programmes (that also apply to many other regions) and develop new programmes and projects that tackle the ailing general education systems, and thus enhance cooperation with institutions in Europe as well as regional cooperation.

There are important questions regarding the capacity of the EU to manage a process where the interest in taking-up assistance is uneven and where some of the parties are tough negotiators and/or unwilling partners.<sup>22</sup> In Kyrgyzstan and Tajikistan, the request for assistance is quite strong while the other (energy-rich) republics have been less eager to attract support. In all five countries, the bureaucracies think more in terms of EU proposed projects and less about the process. The concept of local ownership is weak, although the Central Asian states do have clear preferences regarding the support that is offered. For instance, good governance projects are not welcomed in Turkmenistan and Uzbekistan while political engagement is. Kazakhstan made its preference for economic projects and education clear in its own strategy for Europe, the 2008 Path to Europe document.<sup>23</sup> Tajikistan has made clear that it is especially keen on support for building infrastructure to break out of its relative isolation: electricity networks, rail and road connections to Afghanistan (and China).<sup>24</sup> For Kyrgyzstan, budget support and education remain key.

Therefore, the European Commission finds itself in a challenging situation where it must adapt its approaches to differing contexts and responses – an approach consonant with the principles of ‘ownership’ and demand-driven assistance espoused under DCI. In the presentations made by Commission officials during an April CSO consultation, the emphasis was on the need to be responsive to the interest of governments rather than ‘imposing’ an agenda from outside. Accordingly, the issue of conditionality was largely skipped or dismissed as a possibility. Rather, the overarching rationale appears to involve ‘engaging’ at all costs in order to create linkages that might lead to more leverage and thereby fruitful and targeted cooperation in the future. In this respect, the Commission is keen to point to the constraints – budgetary and in terms of leverage,

given that the breakdown of bilateral assistance is only in the tens of millions per country per year – on the range of assistance the EU can roll out to bring its presence to bear in the five Central Asian states and the extent of the impact such assistance may have on the ground.

In short, it seems that the EU’s focus on human development reflects a combination of a ‘soft power’ approach in attempting to add value as a normative actor in the region, together with a preference for finding ‘soft’ entry points (including community development projects in Uzbekistan). There are limitations to this ‘soft-soft’ approach however: there is always a danger that the EU, perceiving itself to lack leverage in the region, will base its negotiations on aid priorities on what governments will agree to and sign-off on in terms of financing agreements, rather than on the basis of real development needs.<sup>25</sup> Such an approach risks lacking a unified strategic vision, whilst also undermining the ‘poverty reduction’ objective that underpins development cooperation. For example, in a middle-income country like Turkmenistan assistance to renewable energy is being pursued, although given the concerns about the country’s education and health sectors the need for assistance in these is arguably greater.<sup>26</sup> Likewise, any attempt to address ‘holistically’ the issue of rural development in Uzbekistan – as currently proposed by the Commission – which does not directly address the issue of forced child labour (with its attendant consequences for education and health), as well as the related issue of rural adult unemployment, will be unlikely to have a transformative impact.

There are outstanding questions that remain pertinent for policy-makers, as well as those closely monitoring the EU Central Asia Strategy: where does one set limitations or conditions on government-to-government aid in a region where governance is authoritarian and opaque? Is it appropriate to provide assistance ‘without strings’ in cases where the government is otherwise unwilling to cooperate, or where the effects of that assistance could be negligible or potentially even counterproductive? Should international donors step in to cover the shortfalls where a government is failing – through corruption and bad governance – to

22 Even with regard to the Non-State Actor / Local Authorities Programme, where no prior approval from the government is required, the governments are pushing hard through cooperation committees with the EU to control which NGOs should be the beneficiaries.

23 State Programme Path to Europe 2009–2011, available at [http://www.kazembassy.org.uk/path\\_to\\_europe\\_state\\_programme.html](http://www.kazembassy.org.uk/path_to_europe_state_programme.html)

24 It is however unlikely that the EU will step into large infrastructural projects while poverty reduction is more urgent, and given that China also is planning transport links through Tajikistan.

25 The 2008 EIDHR programme to Tajikistan was removed because of government opposition despite the fact that for EIDHR in particular ‘difficult relationships with the host government should not be a factor in determining geographical eligibility’. Comments by the Human Rights and Democracy Network on EIDHR, December 2008.

26 Turkmenistan is in need of support to the general education sector in terms of curricular reform and teacher training. EU plans focus on ‘human capital development’, likely involving officials. See statement of Médecins Sans Frontières on leaving the country in December 2009, available at [http://www.msf.org/msfinternational/invoke.cfm?objectId=9B9B48C9-15C5-F00A-25C35A9CCBA3F28D&component=toolkit.pressrelease&method=full\\_html](http://www.msf.org/msfinternational/invoke.cfm?objectId=9B9B48C9-15C5-F00A-25C35A9CCBA3F28D&component=toolkit.pressrelease&method=full_html)

provide for its citizens? Seasoned observers would point to countless training sessions and seminars offered by international organisations that have failed to do much to support real reforms and have in the past added a veneer of legitimacy to institutions such as a national parliament, which is in thrall to the President, or to GONGOs. Often this has gone without scrutiny (for example by the European Parliament) or monitoring on the EU side. Arguing that the EU must underpin its strategy by elaborating clear 'redline' conditions and engaging in greater monitoring and scrutiny of outputs is further addressed in the next section where we shall take up in greater detail four areas in which EU assistance can be strengthened.

### *Four key issues*

#### *Budget support*

EU assistance at the global level is moving away from project-based assistance to budget support. In the Central Asian context, Kyrgyzstan and Tajikistan have been recipients of this kind of support since 1996 through the Food Security Programme, which has accounted for a total of 102.4 million Euros over the years.<sup>27</sup> In the case of Kyrgyzstan, there are now plans to support the education sector and social protection while in Tajikistan the focus is on health. Advocates of budget support see it as a litmus test of the efficacy of assistance and as 'putting your hands in the fire' with regard to finding and tackling corruption in the system, since with this method, it quickly becomes evident if and where there is a problem. Officials are overall keen on defending budget support vis-à-vis project support from the perspective of being able to monitor and evaluate progress more clearly. Another reason in favour of budget support is national ownership and the promotion of regular dialogue with the government. However, the use of budget support in countries with poor records of public accountability and high levels of corruption such as those in Central Asia prompts unease among observers, particularly following recent scandals in Tajikistan regarding misuse of IMF funds. Notably, a missing 1 billion dollars is believed to have been diverted to a private investment company, and there has been another case of a state programme intended to prop up the agriculture sector, from which a reputed 220 million dollars remains unaccounted for.<sup>28</sup> This led to calls for closer aid monitoring and for the Tajikistan government to be punished.<sup>29</sup>

27 EuropeAid, "Evaluation of EC FSP 1996–2006 in Tajikistan and Kyrgyzstan", main report, June 2008.

28 See reporting at Radio Free Europe, available at [http://www.rferl.org/content/Tajik\\_Audit\\_Reveals\\_Huge\\_National\\_Bank\\_Shortfalls/1609233.html](http://www.rferl.org/content/Tajik_Audit_Reveals_Huge_National_Bank_Shortfalls/1609233.html)

29 ICG, 'Tajikistan: On the Road to Failure', Asia Report 162, Brussels: International Crisis Group, 12 February 2009.

Commission officials are quick to highlight that its sectoral budget support comes with extra safeguards – as opposed to general budget support. It enables donors to earmark and track funds and to attach further sector specific performance indicators to the funds that they monitor. Thus, in addition to three general conditions – macro-economic stability oriented policies, positive assessment of the public finance management (PFM) system, and sector policies – the release of tranches is linked to progress on performance based indicators: for example, are social expenditures going up or down?; how many services are decentralised?; etc. Furthermore, there is a four-tier monitoring system built into the disbursement mechanism, so that money is only partially disbursed if conditions are not met. Following the scandal involving the national bank of Tajikistan, the European Commission, together with DFID, the World Bank and the Asian Development Bank withheld budget support to Tajikistan for a year in a concerted and coordinated effort to punish the government and enforce a change of policy and practice. The IMF was charged with monitoring the benchmarks requested by donors.<sup>30</sup> During interviews undertaken for this working paper, some officials cited this as a positive example of the leverage created by budget support – both in the ability to withhold a substantial amount from the state coffers and also to use that money to test the government's ability to manage funds – in what amounts to a constant dialogue on PFM.

Nevertheless, at the time of writing it is not clear which benchmarks the Tajik government has met and the reality is that donors, including the EU under its 2011–2013 IP plans, are resuming budget support. Evaluations also reveal that past experiences of EU budget support have not been a smooth process in Central Asia, given the vertical trends in governance and the control exercised on whole departments by individual personalities. Internal documents reveal that reform measures tend to be short-term and 'less than optimum'. Despite intensive EU involvement over a number of years and relatively heavy expenditure on a specific sector, evaluations have judged the impact to be minimal and reforms superficial and lacking in sustainability. There are further questions as to whether real political leverage is being created or whether the process of benchmarking progress and deciding to release tranches has become hostage to a more bureaucratic game being played by both sides. To be able to assess whether budget support works in Central Asia more evaluations of this kind are needed; these should be centrally collated with the findings, synthesised and reviewed.

If there is a case for maintaining budget support for

30 International Monetary Fund, <http://www.imf.org/external/np/loi/2009/tjk/033109.pdf>

Kyrgyzstan and Tajikistan, it lies in the assumption that it is more effective than the alternatives and that the EU gains leverage towards these poor countries and willing partners to push for necessary reforms – both in the field of public financial management and beyond. However, the EU needs to use this leverage to push recipient governments to effect broader reforms and exercise greater accountability – not only to European Commission processes, but to their citizens. Support needs to be more transparent. First, the idea of governments learning to use funds in an effective and transparent manner should be exploited to the full by the EU by demanding even stricter rules of government reporting through the establishment of a joint monitoring group (composed of EU and third country officials) and, where possible, publication of government accounting reports. The EU can accompany its budget support measures by explicitly supporting civil society groups to engage in monitoring and scrutiny of the supported sector. Second, the EU should be more transparent to its own constituencies as to how funds are spent and what control is being exercised through regular reporting to the European Parliament (EP) and a clear policy on the conditions for imposing sanctions, including the withholding of such assistance.

Finally, the EU should make clear that budget support is a privileged tool available to governments that are willing to undertake reforms and where there is broad agreement on the sectors requiring assistance under DCI's poverty reduction rubric. Where one or other of these conditions are absent, as in Turkmenistan and Uzbekistan, the European Union should not extend budget support.

### *Monitoring of projects*

Besides budget support to Kyrgyzstan and Tajikistan, the DCI (like TACIS previously) provides funds for a substantial basket of bilateral and regional projects. The Commission systematically prepares monitoring reports on its projects, generally at least once a year. A standard grid of criteria and ratings is used; the criteria being relevance, efficiency, effectiveness, impact and sustainability, with the ratings of very good, good, problems and serious deficiencies. The monitoring system itself seems to work effectively. These reports, some of which we had access to, are not published. However, for the sake of transparency and accountability, it would be interesting if a database of reports were available on the Commission's website. The monitoring reports are commissioned by the Commission's programme managers directly concerned, which implies a certain hazard for the monitor, who may be inclined to report what the contractor wants. In other organisations such as the World Bank the project evaluation function is undertaken by a department that is independent of

the operating department. In the EU context, it is worth considering whether the monitoring function should not be commissioned by, or at least in association with the European Parliament.

### *Summary of monitoring results for European Commission projects in Central Asia*

	Number of projects	Number of Projects by Monitoring Result/ or Evaluation			
		Very good	Good	Problems	Serious Deficiencies
Central Asia	16	1	41	38	0
Kazakhstan	22	4	71	33	2
Kyrgyzstan	15	2	47	24	2
Tajikistan	29	3	79	60	3
Turkmenistan	4	0	8	10	2
Uzbekistan	17	2	57	25	1
<b>Total</b>	<b>103</b>	<b>12</b>	<b>303</b>	<b>190</b>	<b>10</b>
Relevance		3	67	30	3
Efficiency		3	54	41	5
Effectiveness		3	61	37	2
Impact		2	64	37	0
Sustainability		1	57	45	0

*Source: Result-Oriented Monitoring of Projects and Programmes financed by EC – Lot 3 (Asia and Central Asia), Annual Report 2008.*

As regards the substantive ratings, the table above gives the results for over 100 projects currently underway. Given that there are five marks for each project, this gives around 500 ratings in total. There is a strong concentration of results in the two middle categories of 'good' and 'problems', with very few 'excellent' or 'disastrous' ratings. The 'good' outnumber the 'problems' in a ration of roughly 3 to 2. The low level of 'excellent' results may be disappointing, but it is not surprising, since problems are frequent due to poor professionalism and endemic corruption in the public administrations of the region. The results for Kazakhstan, Kyrgyzstan and Uzbekistan are more favourable than for Tajikistan and Turkmenistan, or for regional projects.

### *EU support to civil society*

Local and international civil society networks have an advisory role to play in helping the EU to navigate the at times treacherous waters of implementing development assistance in Central Asia. The Commission should be commended for its efforts to reach out to civil society in Europe and Central Asia when discussing a new Indicative Programme. Nonetheless, there is a real need for more systemic consultation of civil society by the delegations in



the region – to build and sustain its capacity to recommend, monitor and hold the governments and the donor community accountable. It is in the EU's interest that civil society be increasingly involved in such discussions – from the point of view of network-building and normative socialisation to EU standards and practices – and ultimately to bring in a new constituency of actors who can help enhance the EU's own visibility and impact beyond the closed rooms of inter-governmental meetings.

Forging links between European civil society organisations (CSOs) and their counterparts in Central Asia is difficult due to the absence of pre-existing ties, and poor civil society infrastructure in the region. Delivering EU financial support to NGOs and other civil groupings seems even more challenging. In supporting democracy development and human rights the US had a reputation of directly assisting civil society organisations, while the EU – due to its enlargement process with Central and East European countries – favoured support for official democratic and judicial institutions. Whilst the EU is giving vital support to international NGOs working on Central Asia whose remit is to protect human rights defenders, this support, though critical, is not visible. However, some recent developments indicate that in the case of Central Asia (and elsewhere) Brussels understands that it also has to reach out to local civil society in order to have an impact and be recognised as a player. In some Central Asian countries, this combination yields modest successes such as in Tajikistan where government agencies and civil society can be found sitting around the table to work on joint EU funded projects or where state institutions ask NGOs for advice. Civil society seminars offered by the EU and funded under EIDHR provide a forum for CSOs to engage in the political process through inputting into intergovernmental human rights dialogues. However, the link needs to be strengthened if CSOs are to remain engaged in the process, where necessary through benchmarking and endorsing their recommendations and ensuring adequate follow-up, for example through linking recommendations to funding or by bringing them to donor coordination meetings.

Assistance to civil society in Central Asia consists only of a very small part of overall EU assistance. It is provided in addition to the 719 million Euros under DCI through EU programmes such as the European Instrument for Democracy and Human Rights and the Non-State Actor / Local Authorities Programme. Projects are not bilaterally agreed with governments and thus fall outside of the scope of the Indicative Programme. It is however a labour intensive part of assistance. In essence, the Commission and Delegation offices in Central Asia do not have sufficient staff to ensure that funds are delivered quickly to the right NGOs for worthwhile projects. For example, the

Kyrgyzstan and Tajikistan offices did not have a financing contracts section and had to rely on the office in Almaty, Kazakhstan. Without operations sections and staff to do political reporting it is almost impossible for the EU to map out which civil society organisations to support, as it has no sufficient 'eyes' and 'ears' on the ground.<sup>31</sup> While the Commission in general tends to focus on larger projects that would be less work intensive to monitor with limited staff available, it understands that bigger is not necessarily better in the human rights sphere.

A more coherent approach might be achieved, *inter alia*, through the appointment of a human rights focal point and expert in the Delegations involved in IP formulation who could ensure complementarity of geographic and thematic instruments, such as EIDHR. In addition, it would make sense if the EU tried to channel larger annual lump sums to organisations that do have the capacity to make good judgement on support to grassroots organisations. The Organisation for Security Cooperation in Europe (OSCE) is an obvious candidate in this sense. Other options are working with organisations such as the Open Society Institute or the Aga Khan foundation, both of which have expert presence on the ground in Kazakhstan, Kyrgyzstan and Tajikistan. This should not necessarily mean that the EU would lose visibility. Projects would continue to carry EU logos.

Another difficulty is the complicated and lengthy procedures that NGOs have to go through to obtain EU grants. Some Delegation offices are planning to train civil society personnel on how to write proposals and reports, but it still remains a daunting task for ill-equipped and inexperienced civil society actors. Despite some improvements including the ability to submit proposals in the local language, the whole bureaucratic process regarding financial accounting and reporting may be difficult to change, since European taxpayers want to have funds correctly accounted for. To its credit, and within the constraints of the financial regulation, the European Commission is pushing for clarity on tax arrangements to prevent NGOs from being hit by onerous tax bills, as recently befell a number of organisations in Central Asia.<sup>32</sup>

In view of the particularly weak capacity of civil society in the region, some burdensome requirements seem quite unnecessary and might be scrapped, namely the requirement for an NGO to co-finance projects, and the complicated restrictions on the origin of procurement of

31 It should be noted that the EU is planning to upgrade its delegations in the region as required by the Central Asia Strategy. However, the process so far has been gradual.

32 See Commission Proposal COM (2009) 194, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52009PC0194:EN:HTML>



goods even for small amounts in technical assistance projects. In practice, the Commission is more flexible on co-funding and has reportedly proved to be willing to fund up to 100 percent in difficult 'category 1' countries, and nearly 95 percent in some countries. This is not yet the norm, though the Commission Delegations have the last word in specific cases. Much is therefore left to the discretion of a few overburdened Commission staff. In reality, their hands remain tied with respect to flexible grant making (particularly regarding the minimum threshold) with the result that the EU 'package', replete with onerous administrative requirements, remains unattractive. Civil society representatives in the region generally claim that in their experience DFID and USAID procedures were much more reasonable than those of the Commission, which has the heaviest form among international donors, although these two donors are no less concerned by the need for financially correct procedures.

Finally, it is important for Commission and Council officials and MEPs to connect more frequently with civil society representatives during their visits to Central Asia.

### *Assessment and oversight: the role of the European Parliament*

As a joint authority on EU budget and a direct representative of the European taxpayer, the European Parliament has a role to play in the democratic scrutiny of EU assistance. As part of the political negotiations with the Council and the Commission over the DCI (over which it has co-decision powers), the Parliament demanded right of oversight of programming documents – including those pertaining to AAPs that are ordinarily subject to bilateral financing agreements between the Commission and the beneficiary government (with some scrutiny by the Member States Management Committee). Parliamentary scrutiny, public by nature, could prove useful where proposed funding is deemed questionable, as in the case of the 2007 Annual Action Programme for Uzbekistan, which proposed to provide equipment to the Parliament of Uzbekistan as well as to the National Association of NGOs. On that occasion, the EP successfully blocked funding. However, there are limits to this approach as long as MEPs fail to prioritise scrutiny over their legislative function, including policy-making. As for Uzbekistan, the same funding proposal was accepted under the AAP for the following year when the EP failed in its due diligence.

There is therefore a need for the EP to upgrade its response to AAP documents in order to make better use of the hard-won right to scrutinise these basic texts, through linking the technical work of the thematic working group responsible for DCI back to a more political process –

thereby creating greater incentives for MEPs to commit. An annual resolution or report on programming assistance specifically to Central Asia would give the scrutiny process greater teeth and improve the European Parliament's profile. It would better leverage the many AAPs which are now sent to the EP, but which MEPs see no political urgency in scrutinising on an individual basis. This is likely to be of increasing importance as the European Parliament gains new powers under the Lisbon Treaty.

### *Recommendations*

As demonstrated earlier, EU assistance to Central Asia (and in general) is complex and takes many factors into account, ranging from urgent needs (poverty reduction) to moral issues (human rights promotion) and to political and economic 'hard' interests. It would be beyond the scope of this paper to identify under each objective a single priority where the EU should focus its resources. Still, a few broader conclusions can be drawn that lead to the following recommendations:

1. The EU should consider focusing **programming in fewer focal areas** and these should be much more explicitly linked to supporting the broader policy framework. The political strategy – which reads as a broad 'assistance-plus-engagement' exercise as opposed to that of elaborating a strategic vision – outlines seven priorities ranging from democracy to security and from education to human rights. Arguably, it will be impossible to have an impact through projects and programmes on all seven fronts with the little more than 719 million Euros available over seven years offered by DCI and other instruments. The ability to achieve gains even in these seven 'building blocks' is further complicated by the mismatch between these and other identified programming and policy priorities (namely the three flagship initiatives and the regional priorities under the RSP). In short, the EU will have to make tough choices on where to invest and avoid 'ticking of assistance boxes' indicated by the strategy. Otherwise, it risks focusing on all while achieving very little.

2. The EU's greatest asset in terms of assistance for Central Asia lies in the **field of education**. Amid a collapsing social infrastructure and poor investment in the sector, it is here that the EU can make an impact through higher education programmes such as TEMPUS and Erasmus Mundi, but also through vocational training for Central Asian experts. The European Union will however need to move beyond the already existing programmes and develop (within the Education Initiative, which is being coordinated by the Commission) new projects and programmes that tackle problems in the general education system and which enhance cooperation with Europe and at the regional level.

3. The EU should further **reconsider the balance between regional funding and bilateral programmes**. On the one hand, the five Central Asian republics have quite different interests and needs that result in the necessity to work on a bilateral basis in most cases. On the other hand, regional approaches should not be limited to the five Central Asian republics but be interconnected with other countries and regions, notably energy questions (with South Caucasus) and border control (with Afghanistan and Russia). This does not mean that the EU's regional approach to Central Asia should be scrapped. It would however make sense first to clarify the position and funding mechanisms for the three regional initiatives: environment (water), education, and rule of law. Second, the EU would do well to devise five separate IPs for each of the countries and one IP solely devoted to assistance on a regional basis. The latter could outline a grouping of EU flagship projects and engagements aimed at all five states with cross-linkages to neighbouring countries and regions where the EU is active.

4. EU Commission driven assistance in Brussels but especially on the ground should **explicitly seek to coordinate efforts** with member states and other European countries. In Central Asia, this especially applies to Germany, which is strongly represented in all five countries and has more personnel to implement assistance programmes than the Commission. Swiss development aid ranks high and should also be taken increasingly into account through cooperation, coordination and planning. At the same time, the Commission is a crucial player and a possible linchpin because bilateral and EU member states' assistance is patchy. Some important EU donors are reportedly scaling down and shifting expectations (UK-DFID) or moving out all together (Sweden-SIDA). Careful EU planning with a view to take over useful projects would cut duplication and increase European visibility, and at the same time strengthen the image of the EU as a long-term committed partner.

5. **Budget support should be maintained** for Kyrgyzstan and Tajikistan only through explicitly earmarking specific sectors each year (as is the case with EU budget support in ENPI) rather than contributing to the general state budget. Sector specific benchmarks should be attached to budget support as performance indicators on which further aid tranches will be conditioned. This should be in addition to general conditionality relating to the improvement of public procurement and public financial management. Moreover, support needs to be more transparent. The EU should demand stricter rules of government reporting through the establishment of a joint monitoring group (composed of EU and third country officials). Given the concentration of funds involved over time further monitoring of this policy tool by the Commission is needed to verify its efficacy before considering extending its use to Central Asia and such

monitoring and evaluation should be centrally collated and reviewed. Meanwhile the EU should be more transparent to its own constituencies on how funds are spent and what control is being exercised, through regular reporting to the European Parliament and a clear policy on the conditions for imposing sanctions, including the withholding of such assistance.

6. Whereas monitoring of EU projects seems to be reasonably effective, there is little information available on the results achieved. For the sake of transparency and accountability, the EU should **create a database of monitoring reports** and make it available through the Commission's website. There is also a case for separating project evaluation from project operations to further guarantee objective analyses; the EP could potentially fulfil a commissioning role.

7. Distribution of **funds for civil society should be simplified**, staffing at the delegations improved and in some cases outsourced to trusted, experienced and well-established third parties with a strong presence on the ground. The Commission should systematically lower the co-funding required for financing projects and consider lowering the minimum threshold. Most importantly, it is urgently necessary to enhance staffing to enable Commission field offices better to cope with the burden of identifying and administering projects. This must be built into the planned delegation upgrading, which should happen more quickly. This alone would produce quantitative improvements in the management of aid and prevent situations where the decision not to launch an annual country-based call for proposals under EIDHR or NSA/LA is based on lack of capacity rather than need. A more coherent approach might be achieved, *inter alia*, through the appointment of a human rights focal point and expert in the EC Delegations involved in IP formulation who could ensure complementarity of geographic and thematic instruments, such as EIDHR.

8. **The European Parliament should strengthen its oversight role** in scrutinising Commission spending on assistance to Central Asia (and elsewhere). At present, after having pushed hard for access to RSPs, IPs and AAPs, the EP is punching below its weight in the scrutiny of these documents and risks losing credibility in its oversight function. The EP should link the work of the thematic working groups and its Central Asia inter-parliamentary delegation back to a more political process – thereby creating greater incentives for MEPs to commit to oversight. An annual resolution or report on programming assistance to Central Asia would improve the European Parliament's profile in scrutinising the process and provide better leverage to the many AAPs which are now sent to the EP, but which are not seem to have political urgency on an individual basis. If

linked to a full Committee process such a resolution would allow MEPs to scrutinise and debate key issues, such as those raised in this paper, and begin to elaborate policy positions on issues where there are currently lacunae.

9. Assistance is most needed and most viable in **Kyrgyzstan and Tajikistan**. In these countries, the EU has some leverage through its funds and can actually make a positive impact on the persistent dire situation. The impact of the economic crisis that might – in combination with other security-related factors – destabilise Tajikistan should be taken into account with new socially-oriented programming. Cooperation between the many international donors should be strengthened, especially in the case of Tajikistan.

10. Assistance allocated to energy-rich and quickly developing **Kazakhstan** should be confined to education and support to civil society. EU relations with Astana should not be assistance-driven, but of a political and economic nature. Technical assistance could perhaps be provided using the USAID example in which Kazakhstan pays for services delivered. There is a case for the EU Technical Assistance and Information Exchange (TAIEX) instrument to work with Kazakhstan (and maybe Turkmenistan too) in advising on provision of specific assistance without going through the EU tendering and contracting procedures.

11. **Turkmenistan and Uzbekistan** should not rank high on the assistance list because both are only marginally receptive to EU assistance initiatives and their harsh authoritarian nature makes it very difficult to work with. As governments that are hesitant to work with the EU and unwilling to enact basic reform processes, they should not be rewarded with budget support. Besides political and economic engagement, the EU would do well to focus on human rights and governance issues through its thematic instruments such as the EIDHR. For this to work, a presence on the ground that goes beyond a 'non-political' Europe House is necessary.

## Conclusion

The overall picture of EU assistance for Central Asia resembles more a seventeenth century battle scene than a still life. Next to the Commission instruments – primarily the DCI and secondly the EIDHR and the Instrument for Stability – the activities of member states and the European banks should not be disregarded. All these instruments, institutions and countries have different views on Central Asia as a region and set varying priorities. Moreover, their ways of budgeting and assessing assistance also differs substantially. Though complicated, European assistance to Central Asia is relatively small in scale compared to regions that are closer to the EU, such as the Mediterranean and Eastern Europe. Nonetheless, all European funds pulled together do have the size that gives Europe the opportunity of making a positive impact on Central Asian societies and creating some leverage, while strengthening its image in the region.

The drafting of the new Indicative Programme (2011–2013) offers a good opportunity to strengthen assistance and bring it in line with the new realities of EU-Central Asia relations. A country-specific approach will be vital for the EU in spending its limited resources wisely and usefully. Meanwhile on a regional level the EU needs to re-think if Central Asia, from an assistance point of view, is a compact five-country region or if a broader view plus stronger bilateral ties might be better. To be effective and make an impact the EU seems to need to make choices, as it cannot be involved and fund all issues brought together in the political strategy. The EU showed vision in 2007 by launching a broad political strategy but needs to keep its feet on the ground when it comes to spending. There is much to do (political opportunities as well as assistance challenges). Now that the EU is more firmly settled in Central Asia, it will need to go back to the drawing board for a serious revision of assistance.

## *List of Abbreviations*

AAP	Annual Action Programmes
ADB	Asian Development bank
AIDCO	EuropeAid Co-Operation Office
BOMCA	Border Management in Central Asia
CADAP	Central Asia Drug Action Programme
CSO	Civil Society Organisation
EaP	Eastern Partnership
EP	European Parliament
EU	European Union
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
EUCAM	EU Central Asia Monitoring project
DCI	Development Cooperation Instrument
DED	Deutscher Entwicklungsdienst
DFID	Department for International Development
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
INOGATE	Interstate Oil and Gas Transport to Europe
IP	Indicative Programme
IfS	Instrument for Stability
MDG	Millennium Development Goal
MTR	Mid-term Review
NGO	Non-governmental Organisation
KfW	Kreditanstalt Für Wiederaufbau
OSCE	Organisation for Security and Cooperation in Europe
PFM	Public Financial Management
RELEX	Directorate General for External Relations (Commission)
RSP	Regional Strategy Paper
SIDA	Swedish International Development Cooperation Agency
TAIEX	Technical Assistance and Information Exchange instrument
TEMPUS	Trans-European Mobility Scheme for University Studies
TRACECA	Transport Corridor Europe Caucasus Asia
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

The EUCAM initiative is an 18-month research and awareness-raising exercise which aims: to raise the profile of the EU-Central Asia Strategy; to strengthen debate about the EU-Central Asia relationship and the role of the Strategy in that relationship; to enhance accountability through the provision of high quality information and analysis; to promote mutual understanding by deepening the knowledge within European and Central Asian societies about EU policy in the region; and to develop 'critical' capacity within the EU and Central Asia through the establishment of a network that links communities concerned with the role of the EU in Central Asia.

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FRIDE is a think tank based in Madrid that aims to provide original and innovative thinking on Europe's role in the international arena. It strives to break new ground in its core research interests – peace and security, human rights, democracy promotion and development and humanitarian aid – and mould debate in governmental and nongovernmental bodies through rigorous analysis, rooted in the values of justice, equality and democracy.

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is among the most experienced and authoritative think tanks operating in the European Union today. CEPS serves as a leading forum for debate on EU affairs, and its most distinguishing feature lies in its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world. CEPS aims to carry out state-of-the-art policy research leading to solutions to the challenges facing Europe today and to achieve high standards of academic excellence and maintain unqualified independence. CEPS also provides a forum for discussion among all stakeholders in the European policy process and builds collaborative networks of researchers, policy-makers and business representatives across the whole of Europe.